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FENNEMORE CRAIG

A Professional Corporation

Norman D. James (No. 006904) 2004 MAR 10 P 3: 56

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3003 North Central Avenue AZ CORP COMMISSION

Suite 2600 DOCUMENT CONTROL

Phoenix, Arizona 85012-2913

Telephone: (602) 916-5000

Attorneys for Arizona-American

Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF ARIZONA-
AMERICAN WATER COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR
INCREASES IN ITS RATES AND
CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS SUN CITY
WEST WATER AND WASTEWATER
DISTRICTS.

IN THE MATTER OF THE
APPLICATION OF ARIZONA-
AMERICAN WATER COMPANY, INC.,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR
INCREASES IN ITS RATES AND
CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS SUN CITY
WATER AND WASTEWATER
DISTRICTS.

IN THE MATTER OF THE
APPLICATION OF ARIZONA-
AMERICAN WATER COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR
INCREASES IN ITS RATES AND
CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS MOHAVE
WATER AND HAVASU WATER
DISTRICTS.

DOCKET NOS. WS-01303A-02-0867
WS-01303A-02-0868
W-01303A-02-0869
WS-01303A-02-0870
W-01303A-02-0908

(CONSOLIDATED)

**ARIZONA-AMERICAN WATER
COMPANY'S NOTICE OF FILING
LETTER**

Arizona Corporation Commission

DOCKETED

MAR 10 2004

DOCKETED BY

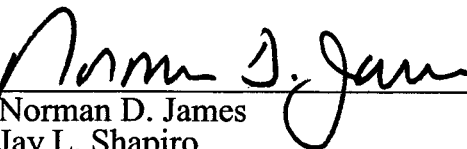
1 IN THE MATTER OF THE
2 APPLICATION OF ARIZONA-
3 AMERICAN WATER COMPANY, AN
4 ARIZONA CORPORATION, FOR A
5 DETERMINATION OF THE CURRENT
6 FAIR VALUE OF ITS UTILITY PLANT
7 AND PROPERTY AND FOR
8 INCREASES IN ITS RATES AND
9 CHARGES BASED THEREON FOR
10 UTILITY SERVICE BY ITS ANTHEM
11 WATER, AGUA FRIA WATER AND
12 ANTHEM/AGUA FRIA WASTEWATER
13 DISTRICTS.

8 IN THE MATTER OF THE
9 APPLICATION OF ARIZONA-
10 AMERICAN WATER COMPANY, AN
11 ARIZONA CORPORATION, FOR A
12 DETERMINATION OF THE CURRENT
13 FAIR VALUE OF ITS UTILITY PLANT
14 AND PROPERTY AND FOR
15 INCREASES IN ITS RATES AND
16 CHARGES BASED THEREON FOR
17 UTILITY SERVICE BY ITS TUBAC
18 WATER DISTRICT.

14 Arizona-American Water Company hereby gives notice that it has filed in the
15 above-consolidated proceeding a copy of a letter dated March 10, 2004, to Commissioner
16 William A. Mundell regarding an incident that occurred in February 2004 relating to
17 Arizona-American's Havasu water district. A true copy of this letter is attached to this
18 notice. A copy of Arizona-American's letter to Commissioner Mundell is being filed in
19 this docket because it directly responds to a letter that Commissioner Mundell filed in the
20 docket on March 3, 2004.

21 DATED this 10th day of March, 2004.

22 FENNEMORE CRAIG

23
24 By 
25 Norman D. James
26 Jay L. Shapiro
Attorneys for Arizona-American Water
Company

1 ORIGINAL and 21 copies
2 of the foregoing were
3 delivered this 10th day
of March, 2004, to:

4 Docket Control
5 Arizona Corporation Commission
6 1200 W. Washington St.
Phoenix, AZ 85007

7 COPY of the foregoing was
8 delivered this 10th day of
March, 2004 to:

9 Chairman Marc Spitzer
10 Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

11 Commissioner William Mundell
12 Arizona Corporation Commission
1200 W. Washington St.
13 Phoenix, AZ 85007

14 Commissioner Mike Gleason
15 Arizona Corporation Commission
1200 W. Washington St.
16 Phoenix, AZ 85007

17 Commissioner Jeff Hatch-Miller
18 Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

19 Commissioner Kristin Mayes
20 Arizona Corporation Commission
1200 W. Washington St.
21 Phoenix, AZ 85007

22 Paul Walker, Aide to Chairman Spitzer
23 Arizona Corporation Commission
1200 W. Washington St.
24 Phoenix, AZ 85007

25

26

1 Adam Stafford, Aide to Commissioner Mundell
Arizona Corporation Commission
2 1200 W. Washington St.
Phoenix, AZ 85007
3
4 Jodi Jerich, Esq., Aide to Commissioner Gleason
Arizona Corporation Commission
5 1200 W. Washington St.
Phoenix, AZ 85007
6
7 Dean Miller, Aide to Commissioner Hatch-Miller
Arizona Corporation Commission
8 1200 W. Washington St.
Phoenix, AZ 85007
9
10 Jerry Hays, II, Aide to Commissioner Mayes
Arizona Corporation Commission
11 1200 W. Washington St.
Phoenix, AZ 85007
12
13 Teena Wolfe
Administrative Law Judge
Arizona Corporation Commission
14 1200 West Washington
Phoenix, AZ
15
16 Timothy Sabo, Esq.
Gary Horton, Esq.
Legal Division
Arizona Corporation Commission
17 1200 West Washington
Phoenix, AZ
18
19 Ernest G. Johnson, Director
Utilities Division
Arizona Corporation Commission
20 1200 West Washington
Phoenix, AZ
21
22 And a copy mailed this 10th
day of March, 2004 to:
23
24 Daniel Pozefsky
Residential Utilities Consumer Office
1110 W. Washington, Suite 220
Phoenix, AZ 85007
25
26 Carlton G. Young
3203 W. Steinbeck Dr.
Anthem, AZ 85086

1 Frank J. Grimmelmann
42441 N. Cross Timbers Court
2 Anthem, AZ 85086
3 Raymond E. Dare
Sun City Taxpayers' Association
4 12611 N. 103rd Ave., Suite D
Sun City, AZ 85351-3467
5 William P. Sullivan
6 Paul R. Michaud
Martinez & Curtis
7 2712 N. 7th St.
Phoenix, AZ 85006
8 Attorneys for the Town of Youngtown
9 Walter Meek
Arizona Utility Investors Association
10 2100 N. Central Ave.
Phoenix, AZ 85004
11 John Buric, Esq.
12 Warner Angle Hallam Jackson & Formanek
3550 N. Central Ave., Suite 1500
13 Phoenix, AZ 85012
Attorneys for Fiesta RV Resort
14 Kenneth C. Sundlof, Jr., Esq.
15 Robert Taylor, Esq.
The Collier Center, 11th Floor
16 201 E. Washington St.
Phoenix, AZ 85004-2385
17 Attorneys for Sun Health Corporation
18

19 By Mary House
20 1522723.1
21
22
23
24
25
26

Mr. William Mundell
Commissioner
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

Administration

Your ref Ray L. Jones
Phone 623-445-2411
Fax 623-445-2451
E-Mail rjones@amwater.com

March 10, 2004

Re: Desert Hills Water Quality

Dear Commissioner Mundell:

As you know, Arizona American Water provides water service to Desert Hills, an unincorporated portion of Mohave County near Lake Havasu City. Our Desert Hills service area is relatively small, serving 1,250 households with 3 wells and a three small primary booster stations. Water quality in the system has consistently met all regulatory requirements for many years.

On February 13, 2004, regular water quality tests showed that nitrates levels in a portion of the Desert Hills system were 12 mg/l. This was the first time that nitrates above the nitrate standard or maximum contaminant level (MCL) of 10 mg/l were detected. Previous measurement of nitrates ranged from 6mg/l to 8mg/l.

Arizona American recognizes that nitrates in drinking water are a serious concern for infants less than six months old. Considering that we received the test results late in the day on a Friday before a Holiday weekend, we were especially concerned about providing adequate notice to our customers. As a result, we determined the fastest and most thorough public notice would be paid radio advertising. We augmented this with a press release and a bill insert. While this far exceeds our regulatory requirement, we thought the combination of short-term tactics (paid radio advertising) with the long-term educational component of a bill insert would be a powerful combination.

I have attached copies of the following items:

- Radio ad copy
- Radio ad run schedule
- Customer bill insert
- Press release

During this time, our staff has been in contact with Marlin Scott Jr, and Janie Woller on the ACC staff to keep them apprised of our progress in notifying the public. Throughout this time we have made bottled water available to all of our customers at no charge. In addition Arizona American Water has implemented a plan to

Arizona American Water

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19820 N. 7th Street -
Suite 201
Phoenix, Arizona 85024
USA

T +1 623 445 2400
F +1 623 445 2451
I www.amwater.com

Page 2

supplement the water supply in Desert Hills. The plan involves the accelerated addition of a new well and booster station and construction of 1,000 feet of 10-inch diameter interconnection pipeline. The pipeline will connect the new well and booster station to the existing portion of the Desert Hills system experiencing high nitrates. With the addition of the new water supply, all of the Desert Hills system will again meet all water quality standards.

We have prioritized this project and have both our engineering and operations staffs working diligently on completing the well and pipeline. We expect the project to be fully operational not later than the end of April. Let me assure you that we are doing everything possible to expedite this project and provide drinking water to our customers meeting all regulatory standards at the earliest possible date.

I hope this information is helpful to you in better understanding the nitrate situation in Desert Hills and our public notification and remediation efforts we have undertaken as a result. We will continue to communicate with our customers over the next few weeks while we work diligently to eliminate the nitrate problem.

If you have any questions about our water service in Desert Hills or any other area, please call me directly at (623) 445-2411.

Sincerely,



Ray L. Jones
President

Enclosure

30-second radio announcement:

Desert Hills area customer of Arizona American Water should take note. Recent water tests have revealed 12 milligrams per liter of nitrates. The national standard is 10 milligrams per liter. Infants less than six months who drink water containing nitrate in excess of the MCL could become seriously ill and, if untreated, may die. Symptoms include shortness of breath and blue baby syndrome. Tap water should not be used for mixing infant formula or juices. Nitrates in drinking water can come from a number of sources, including septic tanks. Only infants less than six months old are affected by this notice. Should you have any questions, please contact Arizona American Water at 800/383-0834.

FEB-18-2004 11:59 AM KJJJ KNTR

9288559333

POT
2-3

102.9 & 100.9

KJJJ FM / KNTR AM

1845 McCulloch Blvd. Ste. A-14 • P.O. Box 2009

Lake Havasu City, AZ 86405-2009

(928) 855-9333 • FAX (928) 855-9333

E-Mail: radio@kjjjfm.com

Web Sites: www.KJJJFM.com • www.KNTRAM.com



Mr. Kevin Tilden
Arizona American Water, Co.

February 18, 2004

Dear Mr. Tilden,

This is to verify that radio station KJJJ-FM aired forty-two thirty-second commercials from February 12, 2004 through February 14, 2004 (with commercial copy you provided).

The attached log sheets show times each commercial was aired for the said dates. If you have any questions, please call.

Best regards,

Steven Greeley
Owner

TEL:

Feb 18,04 13:10 No.001 P.03

FEB-18-2004 12:08 PM KJJJ KNTR

9288559333

P-82
3-3

FM RADIO STATION - KJJJ RUN DATE: 2/18/04 TIME: 10:54
 LOG EXCEPTION SHEET FOR Saturday, 2/14/04

CUSTOMER	Log Line	Time	Len	Cart	Cont-Im	Rate	Action
5142 ARIZONA AMERICAN WATER	262	06:02:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	263	07:02:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	264	08:12:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	265	09:10:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	266	10:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	267	11:00:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	268	12:50:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	269	11:02:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	270	14:50:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	271	15:02:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	272	16:50:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	273	17:00:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	274	18:02:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	275	19:00:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT

FM RADIO STATION - KJJJ RUN DATE: 2/18/04 TIME: 10:55
 LOG EXCEPTION SHEET FOR Sunday, 2/15/04

CUSTOMER	Log Line	Time	Len	Cart	Cont-Im	Rate	Action
5142 ARIZONA AMERICAN WATER	218	06:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	219	07:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	220	08:21:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	221	09:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	222	10:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	223	11:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	224	12:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	225	13:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	226	14:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	227	15:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	228	16:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	229	17:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	230	18:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	231	19:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT

FM RADIO STATION - KJJJ RUN DATE: 2/18/04 TIME: 10:55
 LOG EXCEPTION SHEET FOR Monday, 2/16/04

CUSTOMER	Log Line	Time	Len	Cart	Cont-Im	Rate	Action
5142 ARIZONA AMERICAN WATER	276	06:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	277	07:50:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	278	08:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	279	09:20:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	276	10:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	277	11:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	278	12:02:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	279	13:00:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	280	14:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	281	15:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	282	16:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	283	17:50:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	284	18:50:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT
5142 ARIZONA AMERICAN WATER	285	19:30:00	30	6150	5122- 1	16.00	ADDED FROM CONTRACT

Arizona American Water

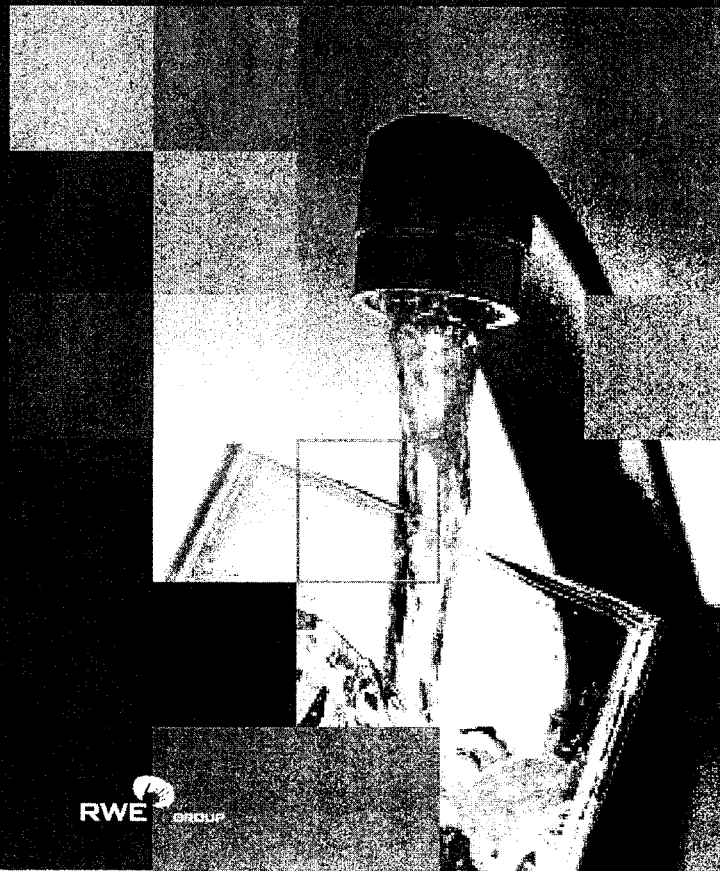
Phone: 1-800-383-0834

www.azamwater.com

notice

our vision...

our values...



AW-AZ-0394-2



Water Quality Notice

About Nitrates in Your Water

At Arizona American Water, water quality is our number one commitment. We constantly monitor water quality, conducting hundreds of tests each year to measure and maintain the quality of the water we send to your home. Arizona American Water regularly samples the water quality in your water system. We do this to make sure your water meets or exceeds U.S. Environmental Protection Agency and Arizona Department of Environmental Quality (ADEQ) regulations. Each year, we do a comprehensive report of our test results, called the Annual Water Quality Report or Consumer Confidence Report. Look for this report in your mailbox in early June.

In a recent routine sampling on February 13, 2004, water sample results showed that nitrate levels in the area were 12 mg/l, which exceed the maximum nitrate standard of 10 mg/l. Although this is only two parts per million over the standard, high nitrates can be dangerous to infants. Nitrates in drinking water are a serious concern for infants less than six months old. Because of the possible danger, we immediately notified the public through radio and newspaper announcements. As a result of this exceedance, you should not give tap water to infants under six months, or use it to make infant formula.

The cause for excess nitrate levels

Nitrates in drinking water can come from natural, industrial or agricultural sources, including septic systems. In 1997, ADEQ believed septic system discharge to be the largest contributor to groundwater quality deterioration when elevated nitrogen levels were found in wells throughout the City of Lake Havasu. Levels can vary throughout the year, and it is not now known when nitrates may reduce to levels safe for infants.

How we are correcting this problem for the future

Nitrates in low concentration are not a problem for anyone, including infants. To prevent future nitrate levels that exceed safe standards, Arizona American Water will

be building a new pipeline to dilute water from the problem wells by blending it with water from a well with extremely low nitrate levels. This will ensure a reliable future supply and should prevent future unacceptable nitrate concentrations.

When you will know this problem is solved

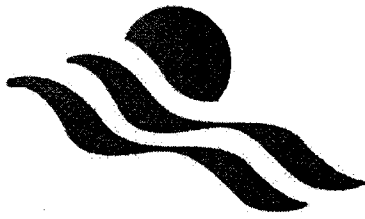
When nitrates are fully reduced, customers will be notified. If nitrates continue to be high, customers will be notified at least every three months.

High nitrate levels only impact infants

Desert Hills area Arizona American Water customers should not give water to infants below the age of six months. Infants below the age of six months who drink water containing nitrates in excess of standards could become seriously ill and, if untreated, may die. Symptoms include shortness of breath and blue baby syndrome. Blue baby syndrome is indicated by blueness of the skin. Symptoms in infants can develop rapidly with health deteriorating over a period of days. If symptoms occur, seek medical attention immediately. Adults and children older than six months process nitrates differently than infants and may not be affected.

Tap water should not be used to prepare juice from concentrate for infants or infant formula. Bottled or other water low in nitrates should be used until further notice. Bottled water will be made available by contacting 928-763-0486. Boiling, freezing, filtering or letting the water stand will NOT reduce the nitrate level. Well-maintained reverse osmosis systems should remove most of the nitrates in tap water. Adults and children more than six months old process nitrates differently than infants less than six months old and may not be affected by high nitrates. If you are pregnant or have specific health concerns, please contact your doctor.

If customers have any questions or concerns, contact Arizona American Water at (800) 383-0834.



Arizona American Water

FOR IMMEDIATE RELEASE
February 13, 2004

Contact: Arizona American Water
Phone: 800-383-0834

DRINKING WATER NOTICE DESERT HILLS WATER CUSTOMERS MAY HAVE HIGH LEVELS OF NITRATES

Do not give the water to infants under 6 months old, or use it to make
infant formula

(Desert Hills, AZ – Feb. 13, 2004) – Arizona American Water, in compliance with United States Environmental Protection Agency and the Arizona Department of Environmental Quality regulations, regularly samples source and treated water in its water system. In a recent routine sampling, water sample results received on February 13, 2004, showed that nitrates levels in the area were 12 mg/l. This is above the nitrate standard or maximum contaminant level (MCL) of 10 mg/l. Nitrates in drinking water are a serious concern for infants less than six months old.

Desert Hills area customers of Arizona American Water should not give water to infants below the age of six months. Infants below the age of six months who drink water containing nitrates in excess of the MCL could become seriously ill and, if untreated, may die. Symptoms include shortness of breath and blue baby syndrome. Blue baby syndrome is indicated by blueness of the skin. Symptoms in infants can develop rapidly with health deteriorating over a period of days. If symptoms occur, seek medical attention immediately.

Tap water should not be used to prepare juice from concentrate or infant formula. Bottled or other water low in nitrates should be used until further notice. Boiling, freezing, filtering or letting the water stand will not reduce the nitrate level. Well maintained reverse osmosis systems should remove most of the nitrates in tap water. Adults and children more than six months old process nitrates differently than infants

less than six months old and may use the water. If you are pregnant or have specific health concerns, please contact your doctor.

Nitrates in drinking water can come from natural, industrial or agricultural sources, including septic systems. In 1997, ADEQ believed septic system discharge to be the largest contributor to groundwater quality deterioration when elevated nitrogen levels were found in wells throughout the City of Lake Havasu. Levels can vary throughout the year, and it is not now known when levels may reduce to be below the MCL. When nitrates are reduced customers will be notified. If nitrates continue to be high customers will be notified at least every three months.

If customers have any questions or concerns, contact Arizona American Water at (800) 383-0834

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